

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of)

Interconnection Between Local)
Exchange Carriers and Commercial)
Mobile Radio Service Providers)

CC Docket No. 95-185

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To: The Commission

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COMMENTS OF CENTENNIAL CELLULAR CORP.

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SUMMARY

The recently enacted Telecommunications Act of 1996 established a federal policy in favor of competition in the provision of local exchange services. Similarly, the FCC has been a vocal advocate of local exchange competition and has taken affirmative steps to foster the development of such competition. However, as the Commission recognized in the Notice, existing LEC/CMRS interconnection policies are insufficient to encourage the development of CMRS as a competitor to LEC-provided wireline services.

As a threshold matter, incumbent LECs must do more than pay mere lip service to the Commission's mandate that CMRS providers be treated as co-carriers. The Commission must make it clear that as co-carriers, CMRS providers are entitled to reasonable interconnection following good faith negotiations, including the right to mutual compensation for the exchange of traffic. These requirements must be fleshed out and enforced. As a cellular carrier and PCS licensee, Centennial can confirm from first hand experience that LECs typically treat CMRS providers as end users, rather than co-carriers.

Even if the Commission were to enforce its long-standing policy requiring mutual or reciprocal compensation for the exchange of LEC/CMRS traffic, such a policy, standing alone, is insufficient to foster the desired pro-competitive effect in the current CMRS marketplace. As monopoly providers, LECs have unique leverage to obtain favorable interconnection agreements

and can thereby protect themselves from CMRS competition. In order to counterbalance the LEC's market power, the Commission should adopt a "bill and keep" approach (i.e., a zero rate for terminating traffic) to LEC/CMRS interconnection compensation.

Centennial agrees with the Commission that at least on an interim basis, "bill and keep" has a number of significant advantages over a cost-based mutual compensation scheme. These advantages include: (1) immediate implementation; (2) administrative simplicity; (3) the opportunity for CMRS carriers to gain a competitive toehold; and (4) the opportunity for regulators and industry to obtain actual traffic flow data on which to base long term interconnection compensation agreements.

Centennial also recognizes that "bill and keep" has certain drawbacks -- traffic between LECs and CMRS carriers is not balanced, and a "bill and keep" approach does not reflect differences in underlying costs of the respective networks. As such, "bill and keep" may be inappropriate as a permanent solution. However, Centennial firmly believes that "bill and keep" will serve as an effective transitional device, allowing competition to take root while giving the parties a record upon which to base a long-term decision.

Centennial believes that the Commission not only has adequate authority under the Communications Act to regulate interconnection compensation for interstate as well as intrastate traffic, but must do so. The Commission must not only establish specific requirements to govern interconnection arrangements

regardless of the jurisdictional character of the traffic, it must be the only regulatory body to interpret such requirements. Leaving matters such as mutual compensation and co-carrier treatment in the hands of the states will result in a patchwork of inconsistent regulations. Absent national uniformity in interconnection policies, there is a very real risk that Congress' goal for the rapid and effective deployment of CMRS systems as a competitive force in the local exchange marketplace would be thwarted.

Once competition has taken root, or once enough data has been collected to implement cost-based mutual compensation arrangements, "bill and keep" should be replaced by individually negotiated interconnection agreements. However, Centennial urges the Commission to adopt very specific rules to govern such negotiations. For example, Centennial suggests that the Commission establish a 90 day period for voluntary negotiations beginning upon receipt by a LEC of a request for interconnection by a CMRS provider. If, at the end of this period, the parties have failed to reach an agreement, either party may file a request for Commission arbitration. Once agreement has been reached, either voluntarily or through arbitration, an executed version of the agreement would be submitted to the Commission to be placed in a file available for public inspection.

The need for active Commission involvement in LEC/CMRS interconnection matters is clear. As evidenced by its ongoing and thus far futile attempt to obtain a reasonable inter-

connection agreement with the Puerto Rico Telephone Company ("PRTC") for its PCS system, Centennial has been forced to endure the amazingly creative ways in which a monopoly LEC can delay interconnection negotiations, effectively denying the CMRS provider access to the public switched network. Puerto Rico represents a unique challenge because the intrastate activities of PRTC are unregulated. The lack of a regulatory forum, coupled with PRTC's exploitation of its monopoly status, has completely undermined the very pro-competition policies that the Commission seeks to implement in this rulemaking.

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To: The Commission

COMMENTS OF CENTENNIAL CELLULAR CORP.

Centennial Cellular Corp. ("Centennial"), by its attorneys, herein comments on the issues raised in the Notice of Proposed Rulemaking ("Notice") released on January 11, 1996 in CC Docket No. 95-185.¹

Centennial is a publicly traded Delaware corporation primarily engaged in the provision of Commercial Mobile Radio Services ("CMRS"). In particular, Centennial, through subsidiaries and affiliates, provides cellular telecommunications service in 28 markets and is itself the licensee of a 30 MHz block of Personal Communications Service ("PCS") spectrum in the Puerto Rico-U.S. Virgin Islands Major Trading Area.² As such, Centennial is particularly well positioned to comment on the

¹By Order And Supplemental Notice Of Proposed Rulemaking, FCC 96-61, released February 16, 1996, the Commission granted an extension of time to submit comments in this proceeding through and including March 4, 1996. Accordingly, these Comments are timely filed.

²Centennial, through its subsidiaries and affiliates, has obtained authority to operate as a competitive access provider in Puerto Rico and also holds Specialized Mobile Radio ("SMR") authorizations.

CMRS/LEC interconnection issues raised in the Notice.

Centennial urges the Commission to adopt LEC/CMRS interconnection policies, such as a "bill and keep" compensation mechanism, for the exchange of both interstate and intrastate traffic. This is necessary in order to ensure the continued development of CMRS providers as a potential competitor in the provision of local exchange services. Centennial agrees with the Commission's conclusion that the current LEC/CMRS interconnection rules are insufficient to meet this objective.

In support of this view, Centennial will provide the Commission with a detailed view of its ongoing attempts to negotiate a PCS interconnection agreement with the Puerto Rico Telephone Company ("PRTC"). As the Commission will see, the lack of a regulatory forum in Puerto Rico, coupled with PRTC's exploitation of its monopoly status in response to Centennial's PCS interconnection request, has completely undermined the very pro-competition policies that the Commission seeks to implement in this rulemaking and provides a sterling example of why Commission regulatory involvement with respect to intrastate interconnection arrangements is crucial.

Centennial Cellular Corp.
Comments in CC Docket No. 95-185
March 4, 1996

I. General Comments

A. The Success Of CMRS Providers As Viable Competitors In The Provision Of Local Exchange Services, Consistent With Federal Policy, Will Be Dependent On Fair And Reasonable Interconnection Policies

The recently enacted Telecommunications Act of 1996 ("1996 Act")³ established a federal policy in favor of competition in the provision of local telephone service. Specifically, Section 253 of the 1996 Act removes barriers to local exchange competition by preempting any state or local statute or regulation prohibiting any entity from providing any intrastate telecommunications services.⁴ As Congress made clear, "[t]he primary objective [of this section] is to foster competition for local exchange and exchange access services The development of competition for these services is in the public interest, and will result in the provision of innovative services, improved service quality, and lower prices."⁵

The Commission is also committed to the development of local exchange competition.⁶ However, Chairman Hundt has correctly

³Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996).

⁴Id. at §253.

⁵H.R. Rep. No. 204, 104th Cong., 1st Sess., pt. 1, at 81 (1995).

⁶For example, in approving certain waivers requested by Rochester Telephone Corporation, the Commission held that "Rochester's readiness to move toward full local competition and New York's support for this experiment are promising developments

recognized that "telecommunications markets that have been dominated by a single firm for many years do not mature into competitive markets overnight simply by the removal of entry barriers. The transition to effective competition must be managed and supervised by the FCC and state regulators"⁷ One of the keys to a successful transition from the current monopoly environment to a competitive local exchange marketplace is ensuring that potential competitors, such as CMRS providers,⁸ are able to obtain reasonable interconnection with the public switched network.

The distribution plant of local telephone companies is and will likely be for some time the only way to accomplish

in the progress toward full competition in local markets [W]e are firmly committed to the rapid introduction of competition in local exchange markets." In the Matter of Rochester Telephone Corporation, Order, 10 FCC Rcd 6776 (1995) at ¶13 (emphasis added).

See also, "Hand in Hand" Remarks of FCC Commissioner Susan Ness before the NARUC Committee on Communications, 1995 FCC Lexis 5083 (July 25, 1995) ("Our resolve will be put to the test as we confront new challenges in the vital areas of universal service and local competition. These are our most important policy priorities, hands down."); Remarks of Michelle Farquhar, Chief, Wireless Telecommunications Bureau before the CTIA Policy Conference, 1995 FCC Lexis 7845 (December 8, 1995) ("My main priority, which I received directly from Chairman Hundt, is ... the effort to establish rules and policies to foster local exchange competition....").

⁷Statement of Reed H. Hundt before the United States Senate's Committee on Commerce, Science, and Transportation, 1994 FCC Lexis 835 (February 23, 1994).

⁸See Amendment of the Commission's Rules To Permit Flexible Service Offerings in the Commercial Mobile Radio Services, Notice of Proposed Rulemaking, WT Docket No. 96-6 (rel. January 25, 1996) at ¶1 ("The measures we proposed should increase competition within wireless services and promote competition between wireless and wireline services.").

ubiquitous local communications.⁹ Thus, interconnection with the incumbent LECs will allow CMRS customers to have access to the customers of all other interconnected networks. Absent interconnection with the incumbent LECs, local exchange competition from CMRS providers will most certainly fail.

In the Notice, the Commission stated that it is "concerned that existing general interconnection policies may not do enough to encourage the development of CMRS, especially in competition with LEC-provided wireline services."¹⁰ This concern is well-founded. As Chairman Hundt acknowledged, "... if we do not proactively reform current federal and state rules, we may severely limit the breadth and depth of real competition. We need new and smarter rules...."¹¹ Implementation of the tentative conclusions reached in the Notice would go a long way toward achieving such a goal.

B. In Order To Obtain Fair Interconnection Agreements, LECs Must Recognize CMRS Providers As Co-Carriers

As discussed below, there are a number of specific changes with respect to the Commission's interconnection policies that must be implemented before CMRS providers will be positioned to effectively compete with the incumbent LECs in the provision of

⁹See Speech by Reed Hundt before the American Bar Association, Antitrust Section, 1995 FCC Lexis 2293 (April 6, 1995).

¹⁰Notice at ¶2.

¹¹Speech by Reed Hundt to Deloitte & Touche Consulting Group Telecompetition '95, 1995 FCC Lexis 7765 (December 5, 1995).

local exchange services. However, as a threshold matter, the monopoly LECs must do more than pay mere lip service to the Commission's mandate that CMRS providers be treated as co-carriers.¹² As co-carriers, CMRS providers are entitled to reasonable interconnection following good faith negotiation and the right to mutual compensation for the exchange of traffic. In practice, LECs often fail to treat CMRS operators in a manner consistent with this status and instead view CMRS providers as end users.

Co-carrier treatment must not include a judgment as to whether the services provided by one carrier are more or less important than those provided by the other. The fact that one carrier may not want or need to make the other carrier's services available to its own subscribers or may view interconnection as beneficial only to the other carriers' subscribers and/or beneficial only to a few of its own subscribers should play no part in the process. The current attitudes and actions of incumbent LECs are thwarting the development of CMRS as a potential competitor in the local exchange marketplace.

Under a true co-carrier scenario, each carrier should be responsible for its own costs in the interconnection arrangement. If a LEC's policies or space considerations prevent the collocation of CMRS carriers' facilities at the LEC office, then

¹²See e.g., Implementation of Sections 3(n) and 332 of the Communications Act, Regulatory Treatment of Mobile Services, Second Report and Order, 9 FCC Rcd 1411 (1994) at ¶230. [hereinafter "Second Report and Order"].

the parties must agree on a reasonable meet-point and each party should pay their own costs for getting there. The CMRS carrier should not be viewed as having caused those costs inasmuch as the physical interconnection is required as part of the federal policy to foster local exchange competition. The parties are merely coming together to fulfill that policy and each party has its own responsibility. The Commission can facilitate this by providing an unmistakable definition for the term co-carrier.

Centennial Cellular Corp.
Comments in CC Docket No. 95-185
March 4, 1996

II. Compensation for Interconnected Traffic between
LECs and CMRS Providers' Networks

A. Compensation Arrangements

1. A Policy Of Mutual Compensation, Standing Alone, Is Not
Sufficient To Ensure Pro-Competitive Interconnection
Arrangements

Inherent in the concept of "co-carrier" status is mutual or reciprocal compensation for the exchange of traffic. The Commission long ago recognized that a LEC should be able charge a CMRS carrier for terminating calls originated on the CMRS network and the CMRS carrier should be able to charge the LEC for terminating calls originated on the LEC's network.¹³ Neither party would charge the other for calls that originate on their own network.

As the Notice acknowledges, this policy, which is currently limited to interstate traffic, is largely ignored by the LECs and not enforced by the Commission.¹⁴ Indeed, LECs have not only refused to pay compensation to CMRS providers for terminating their traffic, but have actually imposed originating access charges for delivering traffic to them.¹⁵ Centennial can confirm

¹³See In Re The Need to Promote Competition and Efficient Use of Spectrum for Radio Common Carrier Services, Declaratory Ruling, 2 FCC Rcd 2910 (1987) at ¶45. This policy has been codified in Section 20.11(b) of the Commission's rules. 47 C.F.R. §20.11(b).

¹⁴Notice at ¶¶26-27.

¹⁵Id.

both of these practices -- it does not receive compensation for terminating LEC-originated traffic in any of its 28 cellular markets, and is actually charged by the LEC for originating these calls in many of those markets. Such practices are patently unfair and must be changed if CMRS providers are to fulfill their promise as competitors in the local exchange arena. Commission enforcement of these obligations is critically important. Moreover, to truly foster competition in the local loop, the Commission must impose mutual compensation obligations in a jurisdictionally neutral fashion, *i.e.*, for both interstate and intrastate traffic.

Even if the Commission were to enforce a mutual compensation policy regardless of the jurisdictional character of the communication, it is clear that a such policy, standing alone, is not sufficient to foster the desired pro-competitive effect in the current CMRS marketplace. As monopoly providers, LECs have unique leverage in interconnection negotiations with CMRS providers which they use to achieve extremely favorable interconnection compensation arrangements. While mutual compensation is the foundation upon which interconnection agreements must rest in order to facilitate local exchange competition, the Commission must ensure that LEC/CMRS interconnection rates are reasonable, cost-based, and reflect market reality. Chairman Hundt has noted that:

As we seek to bring the benefits of competition to the local exchange, we are guided by the lessons of the customer equipment and long-distance markets. The first lesson is that competition is possible if

competitors can interconnect with monopolized market segments on a nondiscriminatory basis....The second lesson ... is that the right to connect is not enough. Competitors must also have the right to connect at reasonable rates. Without governmental supervision here, local exchange firms have the incentive and the ability to load costs onto those connection charges that disadvantage new entrants. If new entrants are forced to pay unreasonable high rates for any element of the bottleneck, they will have difficulty competing with the incumbents.¹⁶

In addition, since the role of wireless technologies as the framework for local exchange competition is in its infancy vis a vis the landline public switched telephone network, it stands to reason that there is and will be for some time a significant traffic imbalance in favor of wireless-to-landline calls versus landline-to-wireless calls.¹⁷ Because of this imbalance, LECs have an added incentive to impose an artificially high call termination rate on CMRS providers, thereby eroding the intended benefit of a mutual compensation policy.¹⁸ Moreover, mutual compensation principles fail to adequately protect against potential discrimination. As stated in the Notice:

[A] LEC could negotiate a high interconnection rate with its cellular affiliate, since the LEC's

¹⁶ Speech by Reed Hundt before the American Bar Association, Antitrust Section, 1995 FCC Lexis 2293 (April 6, 1995).

¹⁷The ratio of mobile to land vs. land to mobile calls in Centennial's cellular systems is approximately 85% to 15%. See also Notice at n. 60 ("According to Pacific Telesis, 94% of LEC-CMRS exchange traffic terminates on its network and 6% terminates on wireless networks, and wireless traffic is growing at about 20% per year in California, although the termination ratio remains the same.")

¹⁸See infra for discussion on the use of a 20-25 percent rate of return by Puerto Rico Telephone Company in its proposed PCS interconnection rates.

shareholders would not care which corporate entity was accruing the profit. The unaffiliated CMRS firm, however, would be forced to pay the same high rate and thereby be inhibited from competing with the LEC in its local exchange.¹⁹

In sum, as the Commission looks to CMRS providers as competitors in the local exchange, it must craft and implement mutual compensation policies that take into account the substantial leverage LECs enjoy as a result of their market power.

2. The Commission Should Adopt, As An Interim Measure, A "Bill And Keep" Approach To LEC/CMRS Interconnection Agreements

Mutual compensation must be implemented in a manner that attempts to neutralize the leverage that LECs derive from their market power in order to promote the development of local exchange competition. The Notice proposes to implement, on an interim basis, a "bill and keep" approach (*i.e.*, a zero rate for terminating traffic) to LEC/CMRS interconnection compensation arrangements with respect to local switching facilities and connections to end users.²⁰ For the reasons discussed below, Centennial strongly supports the Commission's proposal.

Under a "bill and keep" system, neither the LEC nor the CMRS provider would charge the other for terminating traffic that originated on the other party's network. Each carrier would be

¹⁹Notice at ¶29.

²⁰Id. at ¶25. The Notice tentatively concludes that when LECs provide dedicated transmission facilities connecting CMRS mobile telephone switching offices ("MTSO") with LEC end offices, such costs may be recovered by LECs from CMRS providers through existing access tariffs. See Id. at ¶64. Centennial agrees with this tentative conclusion.

responsible for its own costs. Centennial agrees with the Commission that this approach has a number of significant advantages.²¹ First, the implementation of "bill and keep" for a reasonable period of time will provide CMRS carriers with an opportunity to gain a competitive toehold in the local exchange market. Second, "bill and keep" is administratively simple for both the regulator and the participants. Neither the LEC nor the CMRS provider will be forced to develop new billing or accounting systems and no administrative time or expense will be required on an ongoing basis. Third, "bill and keep" can be implemented immediately, without the need for complicated and time consuming cost studies and analysis, thereby speeding the development of CMRS as a local exchange competitor. Finally, a "bill and keep" system will afford the regulator and the parties an opportunity to obtain actual traffic flow data on which to base long term interconnection compensation without manipulation of demand.

Even under a simple "bill and keep" arrangement, the LECs can manipulate traffic flow and impede the development of CMRS providers as local exchange competitors. As the Notice recognizes, under a "bill and keep" arrangement, the LECs and the CMRS carriers would look to their own subscribers to recover any costs associated with both originating and terminating the interconnected traffic.²² The potential for abuse in LECs setting these rates at levels that operate as an anticompetitive

²¹Id. at ¶61.

²²Id. at ¶60.

disincentive for their subscribers to call CMRS units is enormous.²³ The Commission must require that any separate charge by the LECs to its subscribers based on calls that they make to CMRS units must be cost-based and non-usage sensitive. Indeed, as the Washington Utilities and Transportation Commission stated recently in adopting a "bill and keep" mechanism as an interim measure to govern competitive interconnection:

The reason that [a LEC's] local exchange services are flat rated is that most of the cost of local service is not sensitive with traffic volume but is related to access to the public switched network. The principle cost of terminating calls relates to the provision of the line to the subscriber's premise. The cost of this line is largely insensitive to the volume and duration of calling. Even end-office switching costs have a large non-traffic sensitive component. It is simply wrong to suggest that the bill and keep procedure means that calls are being terminated "for free." The termination function is paid for not by the originating company, but by the end-use customer in his flat monthly charge. That charge covers all access to and from the public switched network. Under bill and keep, a company is fully compensated for most call terminations by its own customer.²⁴

Studies have shown that "bill and keep" is justified where actual interconnection costs are so low that there is little difference between a cost-based rate and a zero rate.²⁵ Because the average incremental cost of local termination on LEC networks is de minimis (approximately 0.2 cents per minute), a "bill and

²³See discussion infra regarding PRTC's proposal to charge its subscribers high usage sensitive rates for their LEC-to-PCS calls.

²⁴Washington Utilities and Transportation Commission v. U.S. West, Inc., et. al., Docket Nos. UT-941464 et al., (Oct. 31, 1995) (Wash. U.T.C.).

²⁵Notice at ¶61.

keep" system, at least on an interim basis, would be particularly appropriate.²⁶

As the Commission is aware, "bill and keep" has been used historically, and quite successfully, by monopoly LECs in adjacent markets as a simple compensation system for terminating each other's traffic. In addition, "bill and keep" is quickly becoming the norm in competitive contexts as well. The Commission notes that several states, including California, Connecticut, Texas and Pennsylvania, have implemented "bill and keep" arrangements.²⁷ The Commission can add the states of Arizona, Michigan, Ohio (proposed), Oregon, Tennessee and Washington to this list. Each of these states has recognized that, at least on an interim basis, "bill and keep" is the fastest, simplest, and fairest approach to interconnection and the promotion of local exchange competition.

For example, in adopting a "bill and keep" system as an interim measure, the California Public Utilities Commission held that this compensation method,

results in both types of carriers being responsible for their own costs with respect to call termination. Thus new entrants and incumbent LECs will retain the benefit of having avoided certain call termination costs and will incur the responsibility of certain call termination costs This cost allocation does not result in a diminution of the overall return to the LECs shareholders that is so low as to be

²⁶Id.

²⁷Id. at ¶60.

confiscatory.²⁸

Centennial recognizes that "bill and keep" is not a perfect compensation method. For example, "bill and keep" does not reflect differences in underlying costs of the respective networks, and it assumes traffic exchanged between carriers is in balance, which is not likely to be the case. However, as an interim measure, "bill and keep" is an appropriate means of facilitating local exchange competition.

As noted by the Oregon Public Service Commission, "bill and keep,"

... will function as a reasonable compensation mechanism during the initial stages of competitive entry into the local exchange market. At the same time, we recognize that bill-and-keep is only a temporary means of accommodating local exchange competition and that a more permanent intercarrier compensation mechanism must be developed as competition progresses....²⁹

In sum, "bill and keep" will serve as an effective transitional device, allowing competition to take root while giving the parties an opportunity to submit actual traffic flow data to the Commission and providing the Commission with the time to develop a record upon which to base a decision concerning long term interconnection compensation alternatives.

²⁸Re Open Access and Network Architecture Development of Dominant Carrier Networks, R.95-04-043, I.95-04-044, *Decision*, 95-09-121, Sept. 27, 1995 (Cal. P.U.C.) at 24-25.

²⁹Re Electric Lightwave, Inc., CP 1 CP 14 CP 15 Order No. 96-012, Slip Opinion (January 12, 1996) (Or.P.U.C.).

3. "Bill And Keep" Should Remain In Place For A Period Of At Least Three Years

Although the specific timeframes vary, most "bill and keep" plans adopted or proposed by various state regulatory commissions have ranged from 1 to 3 years.³⁰ However, to date, "bill and keep" has always been adopted in the context of landline-to-landline relationships. Based on the nature of CMRS, which typically involves subscribers being charged on a usage sensitive basis, it is likely to take considerably longer for CMRS providers to establish a presence in the local exchange marketplace and to develop a more competitive balance of traffic. As such, Centennial proposes that the Commission adopt "bill and keep" for a period of not less than 3 years.

Eventually "bill and keep" should be replaced by privately negotiated interconnection agreements. Such agreements should be negotiated by the parties as co-carriers and subject to the principles of mutual compensation based on non-discriminatory, cost based pricing. Ideally, private negotiations would replace "bill and keep" as soon as a relative balance of power between LECs and CMRS providers is obtained or at least until a competitive foothold has been achieved. However, it is impossible to predict exactly when this will occur. As such, prior to the end of the three-year period, the Commission should undertake an evaluation of the progress made and issue appropriate rules at that time.

³⁰Arizona (3 years proposal); California (1 year); Oregon (2 years); Tennessee (1 year); Michigan (permanent, unless a predetermined traffic imbalance is demonstrated); and Washington (until such time as the carriers enter into an agreement).

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II. Compensation for Interconnected Traffic between
LECs and CMRS Providers' Networks

B. Implementation of Compensation Arrangements

1. Negotiations and Tariffing

There are three forces at play in a LEC/CMRS interconnection negotiation. First, the statutory requirement imposed on LECs that they interconnect with CMRS providers. This requirement evidences and implements a federal policy in favor of local exchange competition which contemplates co-carrier treatment. Second, the interest of the CMRS provider which is to provide a competitive local exchange service. Third, the interest of the LEC which is to comply with the interconnection requirement in a way most protective of its market power. It is the federal interconnection mandate that brings the LEC and the CMRS provider together.

It is indisputable that a CMRS provider and a LEC currently approach the negotiating table from very different directions. The CMRS provider seeks to establish itself as a viable competitor. The LEC is a monopolist who views the CMRS provider as a parasite armed with a loosely worded federal interconnection requirement. By and large, the LEC does not need or want the CMRS provider. It feels the interconnection is for the CMRS provider's benefit and that the CMRS carrier should shoulder all the costs. The LEC does not credit the fact that its own customers benefit by having access to CMRS subscribers. Thus,

when the LEC sits down at the table, it is to do a required favor, no more and no less. The LEC can and does use its market power freely to stall, delay and deny. Some LECs have mastered the art of claiming movement in negotiations while walking in place. For example, they accomplish this by negotiating secondary, standard contract issues while stalemating discussions on the key interconnection compensation and co-carrier issues. Other LEC delay tactics include proposing extremely high network usage and NXX establishment rates without providing the underlying cost data and assumptions used to develop them, or offering to accede to federal requirements such as mutual compensation, but even then only as to the interstate component of the interconnection.

In order to be effective, the federal interconnection mandate must be implemented in a way that fulfills the underlying federal policy of promoting local exchange competition. This requires a concerted effort to level the bargaining table. As discussed supra, the Commission must exercise the authority it derives from Section 2(b) and 332 of the Communications Act and preempt state regulation of the intrastate component of interconnection compensation arrangements. By requiring national uniformity in LEC/CMRS interconnection, the Commission will prevent the proliferation of disparate state regulatory schemes on the core issues that can make or break a fledgling local exchange service competitor.

Centennial believes that the Commission's "good faith

negotiation" requirement, applied to both intrastate and interstate interconnection issues, has important transcendental value. However, standing alone, this requirement has proven to be too vague to be effective. The notion of what constitutes "good faith" is open to interpretation and LECs and CMRS providers invariably have different views as to what that term means. Centennial agrees with the Commission that "optimal compensation arrangements are unlikely to result from purely private negotiations."³¹ On the other hand, Centennial is also sensitive to the need for minimal regulatory intervention.

In addressing these two competing interests, Centennial suggests that the Commission can reduce the prospect for LEC abuse of their market power by establishing specific requirements to govern interconnection negotiations regardless of the interstate/intrastate nature of the call. These would include mutual compensation with a "bill and keep" approach in the interim, cost-based rates using a long run incremental cost methodology, etc.

As to the process itself, the Commission should establish a limited time period for voluntary negotiation commencing with a LEC's receipt of a request for interconnection by a CMRS provider. Centennial suggests 90 days. It is Centennial's belief that with a limited time period and specific interconnection criteria, both procedural (delay) and substantive abuses by the LEC will be sharply curtailed.

³¹Notice at ¶90.